

DOWAGIAC HOUSING COMMISSION  
DOWAGIAC, MICHIGAN

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007  
AND  
REPORTS ON INTERNAL CONTROL AND  
COMPLIANCE

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Dowagiac Housing Commission	County Cass
Fiscal Year End September 30, 2007	Opinion Date March 24, 2008	Date Audit Report Submitted to State April 26, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES ☒ NO ☐

Check each applicable box below. (See instructions for further detail.)

- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
- ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
- ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
- ☒ ☐ The local unit has adopted a budget for all required funds.
- ☒ ☐ A public hearing on the budget was held in accordance with State statute.
- ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
- ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
- ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
- ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
- ☐ ☒ The local unit is free of repeated comments from previous years.
- ☒ ☐ The audit opinion is UNQUALIFIED.
- ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
- ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
- ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Reports on Internal Control and Compliance	
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930	
Street Address 731 S Garfield Avenue		City Traverse City	State MI
		Zip 49686	
Authorizing CPA Signature 		Printed Name Barry E. Gaudette, CPA	License Number 11050

DOWAGIAC HOUSING COMMISSION  
**TABLE OF CONTENTS**  
September 30, 2007

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis (unaudited)	3-11
Basic Financial Statements:	
Statement of Net Assets	12-13
Statement of Revenue, Expenses, and Changes in Net Assets	14
Statement of Cash Flows	15-16
Notes to Basic Financial Statements	17-31
 SUPPLEMENTAL INFORMATION	
Combining Statement of Net Assets By Program	32-33
Combining Statement of Revenues, Expenses, and and Changes in Net Assets By Program	34
Combining Statement of Cash Flows By Program	35-36
Schedule of Expenditures of Federal Awards and Notes to the Schedule of Federal Awards	37
Financial Data Schedule	38-41
 REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Report on Internal Control Over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	42-43
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	44-46
Status of Prior Audit Findings	47
Schedule of Findings and Questioned Costs:	
Section I - Summary of Auditor Results	48
Section II - Financial Statement Findings	49
Section III - Federal Awards Findings	49-55
 CORRECTIVE ACTION PLAN	56-57
 ADJUSTING JOURNAL ENTRIES	58

## INTRODUCTION

***Independent Auditor's Report***

Board of Commissioners  
Dowagiac Housing Commission  
Dowagiac, Michigan

I have audited the accompanying financial statements of the business-type activities of Dowagiac Housing Commission, Michigan, as of and for the year ended September 30, 2007, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Dowagiac Housing Commission, Michigan, as of September 30, 2007, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Dowagiac Housing Commission  
Independent Auditor's Report  
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated March 24, 2008, on my consideration of Dowagiac Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 11, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise Dowagiac Housing Commission, Michigan's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The accompanying schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Dowagiac Housing Commission, Michigan. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Sandy E. Thudette, CPA, PC*

March 24, 2008

**Dowagiac Housing Commission  
Management's Discussion and Analysis (MD&A)  
September 30, 2007  
(Unaudited)**

As management of the Dowagiac Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Dowagiac Housing Commission's financial activities for the fiscal year ended September 30, 2007. This discussion and analysis letter of the Dowagiac Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Commission's federally funded programs and activities in one place. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAS to use this accounting method as it is normally used to account for "business-type activities" - activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

**FINANCIAL HIGHLIGHTS**

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of September 30, 2007 were \$1,158,278. The net assets decreased by \$13,415, a decrease of 1.14% from the prior year.

Revenues and contributions for the Commission were \$1,215,149 for the fiscal year ended September 30, 2007. This was an increase of \$14,159 or 1.2% over the prior year.

Expenses for the Commission were \$1,228,563 for the fiscal year ended September 30, 2007. This was a decrease of \$20,747 or 1.7% from the prior year.

HUD operating grants were \$846,520 for the fiscal year ended September 30, 2007. This was a decrease of \$103,143 or 10.9% over the prior year. Capital contributions were \$165,693 for the fiscal year ended September 30, 2007. This was an increase of \$104,023 or 168.7% over the prior year.

Dowagiac Housing Commission  
Management's Discussion and Analysis (MD&A)  
September 30, 2007  
(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains this *Management & Discussion Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented as fund financial statements because the Commission only has proprietary funds.

Required Financial Statements

The *Statement of Net Assets* includes the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Assets*. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Commissions to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting



Dowagiac Housing Commission  
Management's Discussion and Analysis (MD&A)  
September 30, 2007  
(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

package.

FUND STATEMENTS

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

Dowagiac Housing Commission Programs:

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital needs. The Housing Commission also has the ability to use up to 20% of these funds, if need be, to supplement Operating Subsidies. This program is the primary funding source for physical improvements to its properties.

Section 8 Housing Choice Voucher Program: Under this program, the Housing Commission administers contracts with independent landlords to provide housing for low-income households. These units are not owned by the Housing Commission. The Housing Commission subsidizes the family's rent via a "Housing Assistance Payment" made directly to the landlord. HUD provides subsidy to the Housing Commission to enable the Housing Commission to set the rental rates at 30% of a participant's income.

Section 8 New Construction Program: Under this program, the Housing Commission, has an agreement with Tri City Village (a nonprofit organization in Watervliet) to collect HUD grant monies to operate 56 low-income units.

**Dowagiac Housing Commission  
Management's Discussion and Analysis (MD&A)  
September 30, 2007  
(Continued)**

**FINANCIAL ANALYSIS**

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$1,158,278 at the close of the fiscal year ended September 30, 2007 a decrease from \$1,171,693 in 2006. The decrease in net assets of \$13,415 was due to the change in net assets for the fiscal year of \$(13,414) and a prior period adjustment of \$(1).

The unrestricted net assets were \$131,754 as of September 30, 2007. This amount may be used to meet the Commission's ongoing obligations. There was restricted net assets of \$64,536 as of September 30, 2007. This amount is restricted for overfunding by HUD in the Housing Choice Voucher Program. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

**CONDENSED STATEMENTS OF NET ASSETS  
September 30,**

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Current and other assets	\$ 290,033	\$ 261,727	\$ 28,306	10.82%
Capital assets	969,187	968,619	568	0.06%
Total Assets	<u>1,259,220</u>	<u>1,230,346</u>	<u>28,874</u>	2.35%
Current liabilities	92,865	47,326	45,539	96.22%
Noncurrent liabilities	8,077	11,327	( 3,250)	(28.69)%
Total Liabilities	<u>100,942</u>	<u>58,653</u>	<u>42,289</u>	72.10%
Net Assets:				
Invested in capital assets	961,988	956,855	5,133	0.54%
Restricted	64,536		64,536	100.00%
Unrestricted	131,754	214,838	( 83,084)	( 38.67)%
Total Net Assets	<u>\$1,158,278</u>	<u>\$1,171,693</u>	<u>\$ ( 13,415)</u>	( 1.14)%

The current assets increase of \$28,306 was due in large part, to \$51,355 owed from the City for overbilling of water bills. Also, monies owed the capital fund program from HUD was \$8,935 from the prior fiscal year, thus reducing the amount of current assets.

**Dowagiac Housing Commission  
Management's Discussion and Analysis (MD&A)  
September 30, 2007  
(Continued)**

**FINANCIAL ANALYSIS (CONTINUED)**

Current liabilities increased by \$45,539, in part, due to accounts payable increasing by \$17,574, accrued compensation absences increased by \$6,208, and accounts payable to HUD increased by \$14,116.

Noncurrent liabilities decreased by \$3,250, in part, due to long term debt decreasing by \$5,661.

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending. Restricted net assets increased by \$64,536 over the prior year due to the setting up the amount that is restricted by HUD because of excess funding, but are expendable for HAP payments and for FSS escrow deposits.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

**CONDENSED STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS  
September 30,**

As can be seen in the following table total revenues and contributions increased by \$14,159, in large part, due to tenant rents increasing over the prior fiscal year by \$11,248 due to incomes of tenants being higher.

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
<b>Revenues and contributions</b>				
Operating, nonoperating, capital contributions:				
Tenant Revenue	\$ 181,490	\$ 170,242	\$ 11,248	6.6%
Total PHA generated Revenue	181,490	170,242	11,248	6.6%
HUD operating grants	846,520	949,663	(103,143)	(10.9)%
Capital contributions	165,693	61,670	104,023	168.7%
Other income	13,224	12,872	352	2.7%
Interest income	8,222	6,543	1,679	25.7%
<b>Total Revenues and Contributions</b>	<u>1,215,149</u>	<u>1,200,990</u>	<u>14,159</u>	1.2%

**Dowagiac Housing Commission  
Management's Discussion and Analysis (MD&A)  
September 30, 2007  
(Continued)**

**FINANCIAL ANALYSIS (CONTINUED)**

	<u>2007</u>	<u>2006</u>	<u>Dollar</u> <u>Change</u>	<u>Per</u> <u>Cent</u> <u>Change</u>
<b>Expenses</b>				
Personal services	218,427	210,740	7,687	3.6%
Utilities	102,503	104,496	( 1,993)	( 1.9)%
Operations and maintenance	43,023	44,498	( 1,475)	( 3.3)%
Insurance	19,511	17,738	1,773	10.0%
Payments in lieu of taxes	7,323	6,180	1,143	18.5%
Other supplies and expenses	96,070	84,716	11,354	13.4%
Interest expense	1,279	2,090	( 811)	(38.8)%
Housing Assistance Payments	573,555	615,071	( 41,516)	( 6.7)%
Depreciation	166,872	163,781	3,091	1.9%
<b>Total Expenses</b>	<u>1,228,563</u>	<u>1,249,310</u>	<u>( 20,747)</u>	<u>( 1.7)%</u>
Change in net assets	( 13,414)	( 48,320)	34,906	
Prior period adjustments	( 1)	( 13,803)	13,802	
Beginning net assets	<u>1,171,693</u>	<u>1,233,816</u>	<u>( 62,123)</u>	
Ending net assets	<u>\$1,158,278</u>	<u>\$1,171,693</u>	<u>\$(13,415)</u>	

**Revenues:**

Dowagiac Housing Commission's primary revenue sources are subsidies and grants received by HUD. Please note that Capital Fund Program grants are classified as either soft cost revenue or hard cost revenue. Revenue received from HUD for fiscal year ended September 30, 2007 for Public Housing, capital contributions, Housing Choice Vouchers, and New Construction Section 8 increased from fiscal year ending September 30, 2006 to September 30, 2007 slightly by \$880. For fiscal year ending September 30, 2007, revenue generated by the Commission accounted for \$202,936 (or 17% of total revenue), while HUD contributions accounted for \$1,012,213 (or 83% of total revenue).

**Expenses:**

Total Expenses for the fiscal ending September 30, 2006 were \$1,249,310 while for the fiscal year ending September 30, 2007 they were \$1,228,563. This represents an 1.7% decrease in our operating costs. The expenses were decreased, in large part, because the Housing Choice Voucher HAP (housing assistance payments) payments decreased by \$41,515 from the prior year due to a lower leaseup average this fiscal year. Personnel costs increased \$7,687 due mainly to a payment for unemployment benefits to a former employee, and inflation increases for employee benefits. Other supplies and expenses increase by \$11,354 can be attributed to the capital fund program outlay of \$10,101 in other operating expenses-administration for training.

Dowagiac Housing Commission  
Management's Discussion and Analysis (MD&A)  
September 30, 2007  
(Continued)

FINANCIAL ANALYSIS (CONTINUED)

The following represents changes in Federal Assistance received:

	<u>09/30/07</u>	<u>09/30/06</u>	<u>Dollar</u> <u>Change</u>	<u>Per Cent</u> <u>Change</u>
Public Housing				
Operating Subsidy	\$ 176,308	\$ 187,313	\$ ( 11,005)	( 5.9)%
Capital Fund Program				
Grants	195,888	80,914	114,974	142.1%
Housing Choice				
Voucher Program	432,211	454,290	( 22,079)	( 4.9)%
New Construction				
Section 8 Program	<u>207,806</u>	<u>288,816</u>	<u>( 81,010)</u>	<u>( 28.0)%</u>
Total	<u>\$1,012,213</u>	<u>\$1,011,333</u>	<u>\$ 880</u>	<u>0.1%</u>

The above chart is segregated as to the Program source of funds, not the use of funds. The subsidy for Housing Choice Vouchers decreased due to the underutilization of the vouchers. The increase in the Capital Fund Program was due to the fact that work projects during the fiscal year ending September 30, 2007 progressed along more rapidly than the prior year, thus utilizing more of our Capital Fund Program funding in the fiscal year ending September 30, 2007 than in the fiscal year ending September 30, 2006. The New Construction Section 8 Program decreased \$81,010, due to ending the agreement with Tri-City Village near the end of the fiscal year.

*Budget Analysis:*

A Low Rent Public Housing Operating Budget for the fiscal year ending September 30, 2007 was presented to and approved by the Board of Commissioners. We had no reason to amend the budget during the fiscal year. Actual results were in line with budgeted amounts.

Dowagiac Housing Commission  
Management's Discussion and Analysis (MD&A)  
September 30, 2007  
(Continued)

**OPERATIONAL HIGHLIGHTS**

The Dowagiac Housing Commission provided the following housing for low-income elderly and low-income families:

	September 30, <u>2007</u>	September 30, <u>2006</u>
Low Rent Public Housing	86	86
Housing Choice Voucher	95	92
New Construction Section 8	42	56

During the fiscal year ending September 30, 2007, Dowagiac Housing Commission maintained a lease-up rate of 94.6% in its Public Housing Program and a lease-up rate of 97.8% in its Housing Choice Voucher program. The New Construction Section 8 program had a 100.0% lease-up rate.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

Although the Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that we are both financially and operationally in a strong position to continue to provide safe, sanitary, and decent housing to our residents.

We know of no other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net assets) or results of operations (revenues, expenses, and other changes).

Dowagiac Housing Commission  
Management's Discussion and Analysis (MD&A)  
September 30, 2007  
(Continued)

**CAPITAL ASSETS**

During the fiscal year ending September 30, 2007, our Capital Fund Program work projects included:

Kitchen cabinet and counter renovations.

Capital projects planned for the next fiscal year include continuing site improvements of the facilities, including the parking lot.

The Dowagiac Housing Commission's investment in capital assets, as of September 30, 2007 amounts to \$2,192,103 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

**CAPITAL ASSETS  
NET OF ACCUMULATED DEPRECIATION  
September 30,**

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>
Land	\$ 62,513	\$ 62,513	\$
Buildings	3,724,914	3,540,867	184,047
Furniture, equipment and machinery - dwellings	85,717	83,970	1,747
Furniture, equipment and machinery - administration	248,323	248,064	259
Building improvements	239,675	239,675	
Construction in progress	<u>24,701</u>	<u>24,701</u>	( 24,701)
	4,361,142	4,199,790	161,352
Accumulated depreciation	<u>(3,391,955)</u>	<u>(3,231,171)</u>	( 160,784)
Total	<u>\$ 969,187</u>	<u>\$ 968,619</u>	<u>\$ 568</u>

Capital assets increased by \$568, because of capital outlays of \$161,352 and netting depreciation of \$160,784.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Sandra Freeman, Executive Director  
Dowagiac Housing Commission  
100 Chestnut Street  
Dowagiac, MI 49047

FINANCIAL STATEMENTS



DOWAGIAC HOUSING COMMISSION  
**STATEMENT OF NET ASSETS**  
September 30, 2007  
=====

**ASSETS**

Current Assets:

Cash and cash equivalents	\$ 143,676
Cash-restricted	64,536
Receivables, net	53,771
Investments	18,406
Prepaid expenses	<u>9,644</u>

Total Current Assets	<u>290,033</u>
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Capital Assets:

Land	62,513
Buildings	3,724,914
Equipment	334,040
Building improvements	<u>239,675</u>
	4,361,142
Less: accumulated depreciation	<u>( 3,391,955)</u>

Net Capital Assets	<u>969,187</u>
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Total Assets	<u><u>\$ 1,259,220</u></u>
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See notes to financial statements

DOWAGIAC HOUSING COMMISSION  
STATEMENT OF NET ASSETS (CONTINUED)  
September 30, 2007  
=====

**LIABILITIES and NET ASSETS**

Current Liabilities:	
Accounts payable	\$ 51,013
Tenant security deposit liability	23,628
Accrued expenses	10,658
Deferred revenues	1,905
Current portion of long-term debt	<u>5,661</u>
Total Current Liabilities	<u>92,865</u>
Noncurrent liabilities:	
Long-term debt, net of current	1,538
Accrued compensated absences	<u>6,539</u>
Total Noncurrent Liabilities	<u>8,077</u>
Total Liabilities	<u>100,942</u>
Net Assets:	
Invested in capital assets	961,988
Restricted net assets	64,536
Unrestricted net assets	<u>131,754</u>
Total Net Assets	<u>1,158,278</u>
Total Liabilities and Net Assets	<u>\$ 1,259,220</u>

See notes to financial statements

DOWAGIAC HOUSING COMMISSION  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS  
Year Ended September 30, 2007  
=====

**OPERATING REVENUES:**

Dwelling rent	\$ 181,490
Total operating revenues	181,490

**OPERATING EXPENSES:**

Administration	230,603
Tenant services	1,788
Utilities	102,503
Ordinary maintenance and operation	119,016
General expenses	34,226
Housing assistance payments	573,555
Depreciation	166,872
Total operating expenses	1,228,563

Operating income(loss)	(1,047,073)
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**NONOPERATING REVENUES:**

Investment interest income	8,222
Fraud recovery	1,040
Other income	12,184
Operating grants	846,520
Capital grants	165,693

Total nonoperating revenues	1,033,659
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Change in net assets	( 13,414)
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Prior period adjustment	( 1)
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Net assets, beginning	1,171,693
-----------------------	-----------

Net assets, ending	\$ 1,158,278
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See notes to financial statements

DOWAGIAC HOUSING COMMISSION  
**STATEMENT OF CASH FLOWS**  
Year Ended September 30, 2007  
=====

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from dwelling and nondwelling rents	\$ 187,448
Cash payments to other suppliers of goods and services	( 821,089)
Cash payments to employees for services	( 209,909)
Cash payments for in lieu of taxes	<u>( 6,180)</u>
Net cash (used) by operating activities	<u>( 849,730)</u>

**CASH FLOWS FROM NONCAPITAL**

**FINANCING ACTIVITIES:**

Restricted cash	( 64,536)
Due from the City for water expense	( 51,355)
Tenant security deposits	3,984
Operating grants	869,570
Fraud recovery	1,040
Other revenue	<u>12,184</u>

Net cash provided by noncapital financing activities	<u>770,887</u>
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**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Long-term debt principal payments	( 4,565)
Capital grants	165,693
Payments for capital acquisitions	<u>( 167,440)</u>

Net cash (used) by capital and related financing activities	<u>( 6,312)</u>
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**CASH FLOWS FROM INVESTING ACTIVITIES:**

Investments increased by	( 822)
Receipts of interest and dividends	<u>8,216</u>

Net cash provided by investing activities	<u>7,394</u>
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Net increase(decrease) in cash	( 77,761)
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Cash and cash equivalents, beginning	<u>221,437</u>
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Cash and cash equivalents, ending	<u><u>\$ 143,676</u></u>
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DOWAGIAC HOUSING COMMISSION  
STATEMENT OF CASH FLOWS (CONTINUED)  
Year Ended September 30, 2007  
=====

RECONCILIATION OPERATING INCOME(LOSS)  
TO NET CASH PROVIDED BY OPERATING  
ACTIVITIES:

Operating income(loss)	\$(1,047,073)
Adjustments to reconcile operating (loss) to net cash provided(used) by operating activities:	
Depreciation	166,872
Bad debt allowance adjustment	( 484)
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	4,171
Prepaid expenses	( 1,970)
Increase (decrease) in liabilities:	
Accounts payable	17,225
Accrued wage/payroll taxes payable	198
Accrued compensated absences	8,320
Accrued interest payable	81
Accounts payable-PILOT	1,143
Deferred revenues	<u>1,787</u>
Net cash (used) by operating activities	<u><u>\$( 849,730)</u></u>

See notes to financial statements

DOWAGIAC HOUSING COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2007  
=====

**NOTE 1: Summary of Significant Accounting Policies**

The Dowagiac Housing Commission (the Housing Commission) is a Public Housing Agency created by the City of Dowagiac on September 2, 1970, consisting of a five member board appointed by the City Manager and charged with the responsibility to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with U.S. generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**1(a) Financial Reporting Entity**

The Housing Commission's financial reporting entity comprises the following:

Primary Government:	Housing Commission
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In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39, "The Financial Reporting Entity", and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

## **1(b) Basis of Presentation**

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Housing Commission's programs as an enterprise fund.

Following is a description of the Housing Commission's programs:

<b>Program</b>	<b>Brief Description</b>
Low Rent Program	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Housing Choice Vouchers Program	Accounts for activities of the Voucher program which assists very low income families, the elderly, and the disabled to afford decent, safe and sanitary housing in the private market.
New Construction Section 8 Program	The Housing Commission has an agreement with Tri City Village (a nonprofit organization in Watervliet) to collect HUD grant monies to operate 56 low-income units under the Section 8 New Construction Program under Contract C-8077.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.

## **1(c) Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

## **1(c) Measurement Focus and Basis of Accounting**

### **Measurement Focus**

In the financial statements, the "economic resources" measurement focus is used as follows:

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

### **Basis of Accounting**

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

## **1(d) Assets, Liabilities, and Equity**

### **Cash and Investments**

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 2(b) and 3(a).

### **Interprogram Receivables and Payables**

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.



## **1(d) Assets, Liabilities, and Equity (Continued)**

### **Receivables**

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

### **Insurance**

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

### **Budgets and Budgetary Accounting**

The Housing Commission adopts a formal operating budget each year for it's operating programs and on a project length basis for it's capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

### **Estimates and Assumptions**

The Housing Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

### **Capital Assets**

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$300 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets are recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses, and Changes in Net

## **1(d) Assets, Liabilities, and Equity (Continued)**

### **Capital Assets (Continued)**

Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Building improvements	5 - 20 years
Equipment and furnishings	5 - 10 years

### **Compensated Absences**

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

### **Equity Classifications**

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- b. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".
- c. Restricted net assets - Consists of net assets of the Housing Choice Voucher Program that are restricted by HUD because of excess funding, but are expendable for HAP payments and for FSS escrow deposits.

## **1(e) Revenues, Expenditures, and Expenses**

### **Operating Revenues and Expenses**

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

### **Interfund Transfers**

For the purposes of the Statement of Revenues, Expenses, and Changes in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

### **Post Employment Benefits**

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

### **Income Taxes**

As a component unit of a Michigan City, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

## **NOTE 2: Stewardship, Compliance, and Accountability**

The Housing Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Housing Commission's compliance with significant laws and regulations and demonstration of its stewardship over Housing Commission resources follows.

### **2(a) Program Accounting Requirements**

The Housing Commission complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Housing Commission are as follows:

<b>Program</b>	<b>Required By</b>
Public and Indian Housing	U.S. Department of HUD
Housing Choice Vouchers Program	U.S. Department of HUD
New Construction Section 8 Program	U.S. Department of HUD
Capital Fund Program	U.S. Department of HUD

## **2(b) Deposits and Investments Laws and Regulations**

In accordance with state law, all uninsured deposits of the Housing Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Housing Commission must have a written Depository Agreement. As reflected in Note 3(a), all deposits were fully insured or collateralized.

Investments of the Housing Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

## **2(c) Revenue Restrictions**

The Housing Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<i>Revenue Source</i>	<i>Legal Restrictions of Use</i>
Capital Fund Program	Modernization

## **NOTE 3: Detail Notes on Transactions Classes/Accounts**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

### **3(a) Cash and Investments**

#### **Deposits**

The Housing Commission's policies regarding deposits of cash are discussed in Note 1(d). The table presented below is designed to disclose the level of custody credit risk assumed by the Housing Commission based upon how its deposits were insured or secured with collateral at September 30, 2007. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the Housing Commission (or public trust) or by its agent in its name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Commission's name.

### 3(a) Cash and Investments (Continued)

#### Deposits (Continued)

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Housing Commission's name; or collateralized with no written or approved collateral agreement.

	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	\$177,903	\$177,903	\$	\$	\$ 172,874
Savings	154	154			154
Money market	15,034	15,034			15,034
U.S. Gov't. Securities	19,950	19,950			19,950
	<u>\$213,041</u>	<u>\$213,041</u>	<u>\$</u>	<u>\$</u>	<u>\$ 208,012</u>

#### Investments

The Housing Commission's policies and applicable laws regarding investments are discussed in Note 1(d) and 2(b). The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the Housing Commission (or public trust) based upon whether the investments are insured or registered and upon who holds the security at September 30, 2007. The categories of credit risk are defined as follows:

Category 1 - Insured or registered with securities held by the Housing Commission or its agent in the Housing Commission's name.

Category 2 - Uninsured and unregistered with securities held by counterparty's trust department or agent in the Housing Commission's name.

Category 3 - Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Housing Commission's name.

	Custody Credit Risk			Carrying Amount	Fair Value
	Category 1	Category 2	Category 3		
Certificates of deposits	<u>\$ 18,406</u>	<u>\$</u>	<u>\$</u>	<u>\$ 18,406</u>	<u>\$ 18,406</u>

### 3(a) Cash and Investments (Continued)

#### Investments (Continued)

A reconciliation of cash as shown on the combined statement of net assets is as follows:

Cash on hand	\$ 200
Carrying amount of deposits	208,012
Investments	<u>18,406</u>
Total	<u>\$ 226,618</u>

Cash and investments:	
Enterprise activities	\$ 231,647
Enterprise activities - deposit in transit	887
Enterprise activities - checks written in excess of deposits	<u>( 5,916)</u>
Total	<u>\$ 226,618</u>

### 3(b) Receivables

Receivables detail at September 30, 2007, is as follows:

HUD	\$ 343
Other governments	51,355
Tenant accounts receivable	2,777
Allowance for doubtful accounts	<u>( 750)</u>
Accrued interest receivable	46
	<u>\$ 53,771</u>

### 3(c) Capital Assets

Capital asset activity for the year ended September 30, 2007, was as follows:

	<u>Balance</u> <u>09/30/06</u>	<u>Additions/</u> <u>Transfers</u>	<u>Retirements/</u> <u>Transfers</u>	<u>Balance</u> <u>09/30/07</u>
<b>Low Rent Program</b>				
Land	\$ 62,513	\$	\$	\$ 62,513
Buildings	3,523,335			3,523,335
Furniture, equip. & machinery - dwellings	83,970	1,747		85,717
Furniture, equip. & machinery - administration	193,496			193,496
Building improvements	<u>239,675</u>	<u>1,747</u>		<u>239,675</u>
	4,102,989	\$	\$	4,104,736
Less accumulated depreciation	<u>(3,197,805)</u>	<u>\$ (157,191)</u>	<u>\$</u>	<u>(3,354,996)</u>
Total	<u>\$ 905,184</u>			<u>\$ 749,740</u>

### 3(c) Capital Assets (Continued)

	<u>Balance</u> <u>09/30/06</u>	<u>Additions/</u> <u>Transfers</u>	<u>Retirements/</u> <u>Transfers</u>	<u>Balance</u> <u>09/30/07</u>
<b>Capital Fund Program</b>				
Buildings	\$ 15,548	\$ 184,047	\$	\$ 199,595
Furniture, equip. & machinery - administration	24,277	6,348		30,625
Construction in progress	<u>24,701</u>	<u>          </u>	<u>( 24,701)</u>	<u>          </u>
	64,526	190,395	( 24,701)	230,220
Less accumulated depreciation	<u>( 1,091)</u>	<u>\$          </u>	<u>\$          </u>	<u>( 10,773)</u>
Total	<u>\$ 63,435</u>			<u>\$ 219,447</u>
<b>Housing Choice Voucher Program</b>				
Buildings	\$ 1,984	\$	\$	\$ 1,984
Furniture, equip. & machinery - administration	<u>24,202</u>	<u>          </u>	<u>          </u>	<u>24,202</u>
	26,186			26,186
Less accumulated depreciation	<u>( 26,186)</u>	<u>\$          </u>	<u>\$          </u>	<u>( 26,186)</u>
Total	<u>\$          </u>			<u>\$          </u>
<b>New Construction Section 8 Program</b>				
Furniture, equip. & machinery - administration	<u>\$ 6,089</u>	<u>\$          </u>	<u>\$ ( 6,089)</u>	<u>\$          </u>
	6,089	<u>\$          </u>	<u>\$ ( 6,089)</u>	<u>          </u>
Less accumulated depreciation	<u>( 6,089)</u>	<u>\$          </u>	<u>\$ 6,089</u>	<u>          </u>
Total	<u>\$          </u>			<u>\$          </u>
<b>Combined Totals</b>				<u>\$ 969,187</u>

### 3(d) Accounts Payable

Payable detail at September 30, 2007, is as follows:

Accounts payable - vendors	\$ 29,574
Accounts payable - HUD	14,116
Accounts payable - other government-PILOT	<u>7,323</u>
	<u>\$ 51,013</u>

### 3(e) Accrued Expenses

Accrued expense detail at September 30, 2007, is as follows:

Accrued wage/payroll taxes payable	\$ 2,981
Accrued compensated absences-current portion	7,596
Accrued interest payable	<u>81</u>
	<u>\$ 10,658</u>

### 3(f) Non-current Liabilities

As of September 30, 2007, the non-current liabilities are comprised of the following:

Long-term debt, net of current	\$ 1,538
Accrued compensated absences - noncurrent portion	<u>6,539</u>
	<u>\$ 8,077</u>

### 3(g) Interprogram Transactions and Balances

#### *Operating Transfers*

The capital fund program transferred \$10,047 to the low rent program during the fiscal year ended September 30, 2007.

#### *Interprogram Receivable/Payable*

Low Rent Program	\$ 22,583
Capital Fund Program	( 343)
Housing Choice Voucher Program	( 36,356)
New Construction Section 8 Program	<u>14,116</u>
	<u>\$</u>

### 3(h) Long-Term Debt

Details of the Housing Commission's outstanding indebtedness, are set forth below:

At September 30, 2007, long-term debt consists of:

The Housing Commission borrowed \$19,377 from First Federal Leasing on December 10, 2004. As of September 30, 2007 the balance is \$7,199. the interest rate is 13.43%. The note is secured by a satellite system. There are to be 48 payments of \$524 beginning on January 10, 2005.

The debt payments(principal) for the fiscal years ended September 30, 2008 are (\$5,661) and 2009 (\$1,538). The debt payments(interest) for the fiscal years ended September 30, 2008 are (\$967) and 2009 (\$127).



### 3(h) Long-Term Debt (Continued)

Debt activity during the fiscal year ended September 30, 2007 is as follows:

Balance at September 30, 2006	\$ 11,764
Loan proceeds	-
Principal payments	( 4,565)
Balance at September 30, 2007	<u>\$ 7,199</u>
Current portion	\$ 5,661
Noncurrent portion	<u>1,538</u>
Total debt	<u>\$ 7,199</u>

### NOTE 4: Other Notes

#### 4(a) Employee Retirement Plan

Each employee is covered under a defined benefit plan with the Michigan Municipal Employees Retirement System (MERS) that provides for annual employer contributions with complete vesting after 10 years of service and normal retirement age at 60 years of age. At December 31, 2006, the date of the last completed actuarial evaluation, the Housing Commission's actuarial accrued liabilities for retirement benefits was \$46,213. The valuation of assets to meet this obligation was \$102,136, therefore the overfunded amount is \$55,923. The Housing Commission computed employer contributions as a percentage of payroll of 5.71% for general employees and 9.49% (normal cost) for the Executive Director (of unfunded accrued liability and normal costs) of payroll to cover the employer's cost for current benefits. The minimum required contribution is 4.12% of general employees and 1.17% of the Executive Director wages and an estimated annual contribution of \$6,826. There are four (4) active members, one (1) vested former member, and no retirees and beneficiaries.

#### 4(b) Risk Management

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Housing Commission manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Torts, errors and omissions	Insurance coverage purchased from Housing Insurance Services under HARRG.
b. Injuries to employees (workers' compensation)	Insurance coverage from First Comp Insurance Co.

#### 4(b) Risk Management (Continued)

Type of Loss	Method Managed
c. Physical property loss and natural disasters	Insurance coverage purchased from Travelers.
d. Liability	Insurance coverage purchased from Housing Authority Insurance Group and HARRG.
e. Health	Health insurance purchased from Blue Cross Blue Shield.
f. Auto	Insurance coverage with Housing Authority Insurance Group and HARRG.
g. Life and disability	Insurance coverage with Companion Life.
h. Boiler & machinery	Insurance coverage with Travelers.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Housing Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

#### 4(c) Commitments and Contingencies

##### Commitments - Construction

At September 30, 2007, the Housing Commission had the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
2006 CFP	\$ 103,441	\$ 103,098
2007 CFP	<u>105,883</u>	<u>-</u>
	<u>\$ 209,324</u>	<u>\$ 103,098</u>

##### Contingencies

The Housing Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Housing Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

#### 4(d) Equity Transfers

##### Housing Choice Vouchers Program

Transfer reserve (admin.) from the Sub-Rehab program-transferred to Tri-City effective 07/01/07

\$ 33,326

##### New Construction Section 8 Program

HUD adjustments for FYE 09/30/06 per year end settlement 52681

\$ ( 1)

Transfer reserve (admin.) from the Sub-Rehab program-transferred to MSHDA effective 07/01/07

( 33,236)  
\$ ( 33,237)

#### NOTE 5: Segment Information

The Housing Commission maintains one Enterprise Fund that includes four separate programs which provide housing assistance and grant programs. Segment information for the year ended September 30, 2007, was as follows:

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Vouchers</u>	<u>New Construction Program</u>
<b>Condensed Statement of Net Assets</b>				
Current assets	\$ 190,270	\$ 343	\$ 122,003	\$ 14,116
Capital assets	749,740	219,447		
Total assets	<u>\$ 940,010</u>	<u>\$219,790</u>	<u>\$ 122,003</u>	<u>\$ 14,116</u>
Current liabilities	\$ 70,015	\$ 343	\$ 45,090	\$ 14,116
Noncurrent liabilities	6,940		1,137	
Total noncurrent liabilities	<u>76,955</u>	<u>343</u>	<u>46,227</u>	<u>14,116</u>
Net assets:				
Invested in capital assets	742,541	219,447		
Restricted net assets			64,536	
Unrestricted net assets	<u>120,514</u>		<u>11,240</u>	
Total net assets	<u>863,055</u>	<u>219,447</u>	<u>75,776</u>	
Total liabilities & net assets	<u>\$ 940,010</u>	<u>\$219,790</u>	<u>\$ 122,003</u>	<u>\$ 14,116</u>

**NOTE 5: Segment Information (Continued)**

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Vouchers</u>	<u>New Construction Program</u>
<b>Condensed Statement of Revenues, Expenses, and Changes in Net Assets</b>				
Dwelling rents	\$ 181,490	\$	\$	\$
Depreciation	( 157,191)	( 9,681)		
Other operating expenses	( 375,831)	(20,148)	(449,384)	( 216,328)
Operating(loss)	( 351,532)	(29,829)	(449,384)	( 216,328)
Nonoperating revenues:				
Investment earnings	4,179		2,876	1,167
Fraud recovery			1,040	
Other income	12,184			
Operating grants	176,308	30,195	432,211	207,806
Capital grants		165,693		
Operating transfers	10,047	( 10,047)		
Change in net assets	( 148,814)	156,012	( 13,257)	( 7,355)
Prior period adjustments, equity transfers			33,236	( 33,237)
Beginning net assets	1,011,869	63,435	55,797	40,592
Ending net assets	<u>\$ 863,055</u>	<u>\$219,447</u>	<u>\$ 75,776</u>	<u>\$</u>
<b>Condensed Statement of Cash Flows</b>				
Net cash provided (used) by:				
Operating activities	\$ ( 170,918)	\$(20,148)	\$(441,631)	\$( 217,033)
Noncapital financing activities	151,694	20,148	426,951	172,094
Capital and related financing activities	( 6,312)			
Investing activities	3,351		2,876	1,167
Net increase(decrease)	( 22,185)		( 11,804)	( 43,772)
Beginning cash and cash equivalents	109,074		68,591	43,772
Ending cash and cash equivalents	<u>\$ 86,889</u>	<u>\$</u>	<u>\$ 56,787</u>	<u>\$</u>

SUPPLEMENTARY INFORMATION

DOWAGIAC HOUSING COMMISSION  
COMBINING STATEMENT OF NET ASSETS  
BY PROGRAM

September 30, 2007

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C-3011 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
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**ASSETS**

Current assets:

Cash and cash equivalents	\$	86,889	\$	
Cash-restricted				
Receivables:				
HUD				343
Other governments		51,355		
Tenants-dwelling rents		2,777		
Allowance for doubtful accounts	(	750)		
Accrued interest receivable		46		
Investments-unrestricted		18,406		
Prepaid expenses		8,964		
Due from other programs		<u>22,583</u>		
Total current assets		<u>190,270</u>		<u>343</u>

Capital assets:

Land		62,513		
Buildings		3,523,335		199,595
Equipment		279,213		30,625
Building improvements		<u>239,675</u>		
		4,104,736		230,220
Less accumulated depreciation	(	<u>3,354,996)</u>		<u>( 10,773)</u>
Net capital assets		<u>749,740</u>		<u>219,447</u>
Total Assets	\$	<u>940,010</u>	\$	<u>219,790</u>

Housing Choice Vouchers Program <u>14.871</u>	New Construction Section 8 Program <u>14.182</u>	<u>Totals</u>
\$ 56,787	\$	\$ 143,676
64,536		64,536
		343
		51,355
		2,777
		( 750)
		46
		18,406
		9,644
680		36,699
<u>122,003</u>	<u>14,116</u>	<u>326,732</u>
		62,513
1,984		3,724,914
24,202		334,040
		239,675
26,186		4,361,142
( 26,186)		( 3,391,955)
		969,187
<u>\$ 122,003</u>	<u>\$ 14,116</u>	<u>\$ 1,295,919</u>

DOWAGIAC HOUSING COMMISSION  
**COMBINING STATEMENT OF NET ASSETS**  
**BY PROGRAM (CONTINUED)**  
September 30, 2007  
=====

	C-3011 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
<b>LIABILITIES and NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 31,117	\$
Tenant security deposit liability	23,628	
Accrued expenses	7,704	
Deferred revenues	1,905	
Current portion of long-term debt	5,661	
Due to other programs		<u>343</u>
Total current liabilities	<u>70,015</u>	<u>343</u>
Noncurrent liabilities:		
Long-term debt, net of current	1,538	
Accrued compensated absences	<u>5,402</u>	
Total noncurrent liabilities	<u>6,940</u>	
Total liabilities	<u>76,955</u>	<u>343</u>
Net Assets:		
Invested in capital assets	742,541	219,447
Restricted net assets		
Unrestricted net assets	<u>120,514</u>	
Total net assets	<u>863,055</u>	<u>219,447</u>
Total Liabilities and Net Assets	<u>\$ 940,010</u>	<u>\$ 219,790</u>



Housing Choice Vouchers Program <u>14.871</u>	New Construction Section 8 Program <u>14.182</u>	<u>Totals</u>
\$ 5,780	\$ 14,116	\$ 51,013
2,954		23,628
		10,658
		1,905
		5,661
<u>36,356</u>		<u>36,699</u>
<u>45,090</u>	<u>14,116</u>	<u>129,564</u>
<u>1,137</u>		<u>1,538</u>
		<u>6,539</u>
<u>1,137</u>		<u>8,077</u>
<u>46,227</u>	<u>14,116</u>	<u>137,641</u>
		961,988
64,536		64,536
<u>11,240</u>		<u>131,754</u>
<u>75,776</u>		<u>1,158,278</u>
<u>\$ 122,003</u>	<u>\$ 14,116</u>	<u>\$ 1,295,919</u>

DOWAGIAC HOUSING COMMISSION  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET ASSETS BY PROGRAM**  
 Year Ended September 30, 2007  
 =====

	C-3011 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
<b>OPERATING REVENUES:</b>		
Dwelling rent	\$ 181,490	\$
Total operating revenues	<u>181,490</u>	<u></u>
<b>OPERATING EXPENSES:</b>		
Administration	118,465	20,148
Tenant services	1,788	
Utilities	102,503	
Ordinary maintenance and operation	119,016	
General expenses	34,059	
Housing assistance payments		
Depreciation	<u>157,191</u>	<u>9,681</u>
Total operating expenses	<u>533,022</u>	<u>29,829</u>
Operating income(loss)	<u>( 351,532)</u>	<u>(29,829)</u>
<b>NONOPERATING REVENUES:</b>		
Operating transfers in(out)	10,047	( 10,047)
Investment interest income	4,179	
Fraud recovery		
Other income	12,184	
Operating grants	176,308	30,195
Capital grants	<u></u>	<u>165,693</u>
Total nonoperating revenues	<u>202,718</u>	<u>185,841</u>
Change in net assets	( 148,814)	156,012
Equity transfers, prior period adjustments		
Net assets, beginning	<u>1,011,869</u>	<u>63,435</u>
Net assets, ending	<u>\$ 863,055</u>	<u>\$219,447</u>

Housing Choice Vouchers Program <u>14.871</u>	New Construction Section 8 Program <u>14.182</u>	<u>Totals</u>
\$ _____	\$ _____	\$ <u>181,490</u>
_____	_____	<u>181,490</u>
72,906	19,084	230,603
		1,788
		102,503
		119,016
167		34,226
376,311	197,244	573,555
_____	_____	<u>166,872</u>
<u>449,384</u>	<u>216,328</u>	<u>1,228,563</u>
( 449,384)	( 216,328)	( 1,047,073)
2,876	1,167	8,222
1,040		1,040
		12,184
432,211	207,806	846,520
_____	_____	<u>165,693</u>
<u>436,127</u>	<u>208,973</u>	<u>1,033,659</u>
( 13,257)	( 7,355)	( 13,414)
33,236	( 33,237)	( 1)
<u>55,797</u>	<u>40,592</u>	<u>1,171,693</u>
<u>\$ 75,776</u>	<u>\$ _____</u>	<u>\$ 1,158,278</u>

DOWAGIAC HOUSING COMMISSION  
COMBINING STATEMENT OF CASH FLOWS  
BY PROGRAM

Year Ended September 30, 2007

=====

	C-3011 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from dwelling and nondwelling rents	\$ 187,448	\$
Cash payments to other suppliers of goods and services	( 205,525)	( 10,101)
Cash payments to employees for services	( 146,661)	( 10,047)
Cash payments for in lieu of taxes	<u>( 6,180)</u>	<u>          </u>
Net cash (used) by operating activities	<u>( 170,918)</u>	<u>( 20,148)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Restricted cash		
Due from the City for water expense	( 51,355)	
Equity transfers		
Operating transfers in(out)	10,047	( 10,047)
Interprogram due from(to)	526	( 8,935)
Tenant security deposits	3,984	
Operating grants	176,308	39,130
Fraud recovery		
Other revenue	<u>12,184</u>	<u>          </u>
Net cash provided by noncapital financing activities	<u>151,694</u>	<u>20,148</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Long-term debt principal payments	( 4,565)	
Capital grants		165,693
Payments for capital acquisitions	<u>( 1,747)</u>	<u>( 165,693)</u>
Net cash (used) by capital and related financing activities	<u>( 6,312)</u>	<u>          </u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investments decreased (increased)	( 822)	
Receipts of interest and dividends	<u>4,173</u>	<u>          </u>
Net cash provided by investing activities	<u>3,351</u>	<u>          </u>
Net increase(decrease) in cash	( 22,185)	
Cash and cash equivalents, beginning	<u>109,074</u>	<u>          </u>
Cash and cash equivalents, ending	<u>\$ 86,889</u>	<u>\$</u>

Housing Choice Vouchers Program 14.871	New Construction Section 8 Program 14.182	Totals
\$	\$	\$ 187,448
( 402,089)	( 203,374)	( 821,089)
( 39,542)	( 13,659)	( 209,909)
		( 6,180)
( 441,631)	( 217,033)	( 849,730)
( 64,536)		( 64,536)
		( 51,355)
33,236	( 33,236)	
25,000	( 16,591)	
432,211	221,921	3,984
1,040		869,570
		1,040
		12,184
426,951	172,094	770,887
		( 4,565)
		165,693
		( 167,440)
		( 6,312)
2,876	1,167	( 822)
		8,216
2,876	1,167	7,394
( 11,804)	( 43,772)	( 77,761)
68,591	43,772	221,437
\$ 56,787	\$	\$ 143,676

DOWAGIAC HOUSING COMMISSION  
COMBINING STATEMENT OF CASH FLOWS  
BY PROGRAM (CONTINUED)

Year Ended September 30, 2007

=====

C-3011 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
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RECONCILIATION OF OPERATING INCOME  
(LOSS) TO NET CASH PROVIDED BY  
OPERATING ACTIVITIES:

Operating income(loss)	\$( 351,532)	\$( 29,829)
Adjustments to reconcile operating (loss) to net cash provided(used) by operating activities:		
Depreciation	157,191	9,681
Bad debt allowance adjustment	( 484)	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	4,171	
Prepaid expenses	( 1,290)	
Increase (decrease) in liabilities:		
Accounts payable	13,118	
Accrued wage/payroll taxes payable	( 446)	
Accrued compensated absences	5,343	
Accrued interest payable	81	
Accounts payable-PILOT	1,143	
Deferred revenues	<u>1,787</u>	
Net cash (used) by operating activities	<u>\$( 170,918)</u>	<u>\$( 20,148)</u>

Housing Choice Vouchers Program <u>14.871</u>	New Construction Section 8 Program <u>14.182</u>	<u>Totals</u>
\$ ( 449,384)	\$ ( 216,328)	\$ ( 1,047,073)
		166,872 ( 484)
( 680)		4,171 ( 1,970)
4,456	( 349)	17,225
701	( 57)	198
3,276	( 299)	8,320
		81
		1,143
<u>          </u>	<u>          </u>	<u>1,787</u>
<u>\$ ( 441,631)</u>	<u>\$ ( 217,033)</u>	<u>\$ ( 849,730)</u>

DOWAGIAC HOUSING COMMISSION  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS**  
Year Ended September 30, 2007  
=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing Major - Direct Program</u>		
2007	Low Rent Public Housing	14.850a	\$ 176,308
	<u>Public and Indian Housing Major - Direct Program</u>		
2007	Capital Fund Program	14.872	195,888
	<u>Low Income Public Housing Major - Direct Program</u>		
2007	Housing Choice Vouchers	14.871	432,211
	<u>Low Income Public Housing Nonmajor - Direct Program</u>		
	New Construction S/R Section 8 Program	14.182	<u>207,806</u>
	Total		<u>\$1,012,213</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

**NOTE 1: Significant Accounting Policies**

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance



DOWAGIAC HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE**  
Year Ended September 30, 2007  
=====

FDS Line Item No.		C-3072 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	<b>ASSETS</b>		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 63,261	\$
113	Cash-other restricted		
114	Cash-tenant security deposits	<u>23,628</u>	<u>          </u>
100	Total cash	<u>86,889</u>	<u>          </u>
	Receivables:		
122	A/R-HUD other projects		343
124	A/R-other government	51,355	
126	A/R-tenants-dwelling rents	2,777	
126.1	Allowance for doubtful accounts	( 750)	
129	Accrued interest receivable	<u>46</u>	<u>          </u>
120	Total receivables, net of allowance for doubtful accounts	<u>53,428</u>	<u>343</u>
131	Investments-unrestricted	<u>18,406</u>	<u>          </u>
	Other Current Assets:		
142	Prepaid expenses and other assets	8,964	
144	Interprogram due from	<u>22,583</u>	<u>          </u>
	Total other current assets	<u>31,547</u>	<u>          </u>
150	Total current assets	<u>190,270</u>	<u>343</u>
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	62,513	
162	Buildings	3,523,335	199,595
163	Furn, equip & mach-dwellings	85,717	
164	Furn, equip & mach-admin.	193,496	30,625
165	Building improvements	239,675	
166	Accumulated depreciation	<u>(3,354,996)</u>	<u>( 10,773)</u>
160	Total fixed assets, net of accumulated depreciation	<u>749,740</u>	<u>219,447</u>
180	Total noncurrent assets	<u>749,740</u>	<u>219,447</u>
190	Total Assets	<u>\$ 940,010</u>	<u>\$219,790</u>

Housing Choice Vouchers Program 14.871	New Construction Section 8 Program 14.182	Totals
\$ 56,787	\$	\$ 120,048
64,536		64,536
		23,628
<u>121,323</u>		<u>208,212</u>
		343
		51,355
		2,777
		( 750)
		46
		53,771
		18,406
680		9,644
	14,116	36,699
680	14,116	46,343
<u>122,003</u>	<u>14,116</u>	<u>326,732</u>
		62,513
1,984		3,724,914
		85,717
24,202		248,323
		239,675
( 26,186)		( 3,391,955)
		969,187
		969,187
<u>\$ 122,003</u>	<u>\$ 14,116</u>	<u>\$ 1,295,919</u>

DOWAGIAC HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
Year Ended September 30, 2007  
=====

FDS Line Item No.		C-3072 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
<b>LIABILITIES and NET ASSETS</b>			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable	\$ 23,794	\$
321	Accrued wage/payroll taxes payable	2,166	
322	Accrued compensated absences-current portion	5,457	
325	Accrued interest payable	81	
331	Accounts payable-HUD PHA programs		
333	Accounts payable-other government	7,323	
341	Tenant security deposits	23,628	
342	Deferred revenues	1,905	
343	Current portion of long-term debt	5,661	
347	Interprogram due to		<u>343</u>
310	Total current liabilities	<u>70,015</u>	<u>343</u>
	Noncurrent Liabilities:		
351	Long-term debt, net of current	1,538	
354	Accrued compensated absences	<u>5,402</u>	
350	Total noncurrent liabilities	<u>6,940</u>	
300	Total liabilities	<u>76,955</u>	<u>343</u>
	Net Assets:		
508.1	Invested in capital assets	<u>742,541</u>	<u>219,447</u>
508	Total invested in capital assets	742,541	219,447
511.1	Restricted net assets		
512.1	Unrestricted net assets	<u>120,514</u>	
513	Total Net Assets	<u>863,055</u>	<u>219,447</u>
600	Total Liabilities and Net Assets	<u>\$ 940,010</u>	<u>\$219,790</u>

Housing Choice Vouchers Program <u>14.871</u>	New Construction Section 8 Program <u>14.182</u>	<u>Totals</u>
\$ 5,780	\$	\$ 29,574
815		2,981
2,139		7,596
		81
	14,116	14,116
		7,323
		23,628
		1,905
		5,661
<u>36,356</u>	<u></u>	<u>36,699</u>
<u>45,090</u>	<u>14,116</u>	<u>129,564</u>
		1,538
<u>1,137</u>	<u></u>	<u>6,539</u>
<u>1,137</u>	<u></u>	<u>8,077</u>
<u>46,227</u>	<u>14,116</u>	<u>137,641</u>
<u></u>	<u></u>	<u>961,988</u>
		961,988
64,536		64,536
<u>11,240</u>	<u></u>	<u>131,754</u>
<u>75,776</u>	<u></u>	<u>1,158,278</u>
<u>\$ 122,003</u>	<u>\$ 14,116</u>	<u>\$ 1,295,919</u>

DOWAGIAC HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
 Year Ended September 30, 2007  
 =====

FDS Line Item No.		C-3072 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	<b>Revenue:</b>		
703	Net tenant rental revenue	\$ 181,490	\$
704	Tenant revenue-other		
705	Total tenant revenue	<u>181,490</u>	
706	HUD PHA grants	176,308	30,195
706.1	Capital grants		165,693
711	Investment income-unrestricted	4,179	
714	Fraud recovery		
715	Other income	<u>12,184</u>	
700	Total revenue	<u>374,161</u>	<u>195,888</u>
	<b>Expenses:</b>		
	Administrative:		
911	Administrative salaries	52,425	9,333
912	Auditing fees	2,585	
914	Compensated absences	5,342	
915	Employee benefit contributions-adm.	23,140	714
916	Other operating-administrative	34,973	10,101
	Tenant services:		
924	Tenant services-other	1,788	
	Utilities:		
931	Water	31,000	
932	Electricity	66,270	
933	Gas	5,233	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	52,653	
942	Ordinary maint & oper-mat'ls & other	11,611	
943	Ordinary maint & oper-contract costs	31,412	
945	Employee benefit contributions	23,340	
	General expenses:		
961	Insurance premiums	19,511	
962	Other general expenses	1	
963	Payments in lieu of taxes	7,323	
964	Bad debt-tenant rents	5,945	
967	Interest expense	<u>1,279</u>	
969	Total operating expenses	<u>375,831</u>	<u>20,148</u>
970	Excess operating revenue over operating expenses	<u>( 1,670)</u>	<u>175,740</u>

Housing Choice Vouchers Program 14.871	New Construction Section 8 Program 14.182	Totals
\$	\$	\$ 181,490
		181,490
432,211	207,806	846,520
		165,693
2,876	1,167	8,222
1,040		1,040
		12,184
<u>436,127</u>	<u>208,973</u>	<u>1,215,149</u>
29,402	10,139	101,299
1,760	1,155	5,500
3,276		8,618
14,117	3,164	41,135
24,351	4,626	74,051
		1,788
		31,000
		66,270
		5,233
		52,653
		11,611
		31,412
		23,340
		19,511
167		168
		7,323
		5,945
		1,279
<u>73,073</u>	<u>19,084</u>	<u>488,136</u>
<u>363,054</u>	<u>189,889</u>	<u>727,013</u>

DOWAGIAC HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
 Year Ended September 30, 2007  
 =====

FDS Line Item No.		C-3072 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	<b>Expenses continued:</b>		
	Other expenses:		
973	Housing assistance payments		
974	Depreciation expense	<u>157,191</u>	<u>9,681</u>
	Total other expenses	<u>157,191</u>	<u>9,681</u>
900	Total expenses	<u>533,022</u>	<u>29,829</u>
	Excess (deficiency) of operating revenue over (under) expenses before other financing sources (uses)	<u>( 158,861)</u>	<u>166,059</u>
	<b>Other Financing Sources (Uses):</b>		
1001	Operating transfers in	10,047	
1002	Operating transfers (out)	<u>          </u>	<u>( 10,047)</u>
	Total other financing sources (uses)	<u>10,047</u>	<u>( 10,047)</u>
1000	Excess (deficiency) of operating revenue over (under) expenses	( 148,814)	156,012
1103	Beginning Net Assets	1,011,869	63,435
1104	Prior period adjustments, equity transfers and correction of errors	<u>          </u>	<u>          </u>
	Ending Net Assets	<u><u>\$ 863,055</u></u>	<u><u>\$219,447</u></u>

Housing Choice Vouchers Program <u>14.871</u>	New Construction Section 8 Program <u>14.182</u>	<u>Totals</u>
376,311	197,244	573,555
		<u>166,872</u>
<u>376,311</u>	<u>197,244</u>	<u>740,427</u>
<u>449,384</u>	<u>216,328</u>	<u>1,228,563</u>
( 13,257)	( 7,355)	( 13,414)
		10,047
		( 10,047)
( 13,257)	( 7,355)	( 13,414)
55,797	40,592	1,171,693
<u>33,236</u>	<u>( 33,237)</u>	<u>( 1)</u>
<u>\$ 75,776</u>	<u>\$</u>	<u>\$ 1,158,278</u>



**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards**

Board of Housing Commissioners  
Dowagiac Housing Commission  
Dowagiac, Michigan

I have audited the financial statements of the business-type activities of Dowagiac Housing Commission, Michigan, (Housing Commission) as of and for the year ended September 30, 2007, which collectively comprise the Housing Commission's basic financial statements and have issued my report thereon dated March 24, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Commission's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Housing Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted principles such that there is more than a remote likelihood that a misstatement of the Housing Commission's financial statements that is more than inconsequential will not be prevented or detected by the Housing Commission's internal control.

Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards*  
Dowagiac Housing Commission  
Page Two

**Internal Control Over Financial Reporting (Continued)**

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Housing Commission's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Barry Standish, CPA*

March 24, 2008

**Barry E. Gaudette, CPA, P.C.**

CERTIFIED PUBLIC ACCOUNTANT

731 South Garfield Avenue  
Traverse City, Michigan 49686  
(231) 946-8930  
Fax (231) 946-1377

**Report on Compliance with Requirements  
Applicable To Each Major Program and  
on Internal Control over Compliance  
in Accordance with OMB Circular A-133**

Board of Housing Commissioners  
Dowagiac Housing Commission  
Dowagiac, Michigan

**Compliance**

I have audited the compliance of Dowagiac Housing Commission, Michigan, (Housing Commission) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. The Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Housing Commission's compliance with those requirements.

Report on Compliance with Requirements  
Applicable to Each Major Program and  
on Internal Control Over Compliance in  
Accordance with OMB Circular A-133  
Dowagiac Housing Commission  
Page Two

**Compliance (continued)**

As described in items 07-1, 07-2, and 07-3 in the accompanying schedule of findings and questioned costs, the Housing Commission, did not comply with requirements regarding eligibility and reasonable rent that are applicable to the Housing Choice Voucher program. Also, as described in item 07-4 in the accompanying schedule of findings and questioned costs, the Housing Commission, did not comply with requirements regarding eligibility that are applicable to the Low Rent Public Housing Program. Compliance with such requirements is necessary, in my opinion, for the Housing Commission, to comply with requirements applicable to those programs.

In my opinion, except for the noncompliance described in the preceding paragraph, the Housing Commission, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

**Internal Control Over Compliance**

The management of the Housing Commission, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Housing Commission's internal control over compliance.

My consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, I identified certain deficiencies in internal control over compliance that I consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote

Report on Compliance with Requirements  
Applicable to Each Major Program and  
on Internal Control Over Compliance in  
Accordance with OMB Circular A-133  
Dowagiac Housing Commission  
Page Three

**Internal Control Over Compliance (Continued)**

likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 07-1, 07-2, and 07-3 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, I consider items 07-1, 07-2, and 07-3 to be material weaknesses.

The Housing Commission's response to the findings identified in my audit are described in the accompanying action plan. I did not audit the Housing Commission's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Bary S. Landolt, CPA, PC*

March 24, 2008

DOWAGIAC HOUSING COMMISSION  
STATUS OF PRIOR AUDIT FINDINGS  
September 30, 2007

=====

Finding 06-1: The Housing Commission's accounts receivable from tenants was \$6,948 in the Low Rent Program as of September 30, 2006. This finding has been cleared.

DOWAGIAC HOUSING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
September 30, 2007  
=====

**SECTION I - SUMMARY OF AUDITOR RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of Dowagiac Housing Commission.

2. There were no control deficiencies disclosed during the audit of the financial statements.

3. There were no instances of noncompliance material to the financial statements of Dowagiac Housing Commission were disclosed during the audit.

4. Four reportable conditions in internal control over major federal award programs disclosed during the audit are reported in Section III - Federal Award Findings as findings 07-1, 07-2, 07-3, and 07-4. Findings 07-1, 07-2, and 07-3 were reported as material weaknesses.

5. The auditor's report on compliance for the major federal award programs for Dowagiac Housing Commission expresses a qualified opinion on the Low Rent Public Housing and Housing Choice Voucher programs and an unqualified opinion on the Capital Fund program.

6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.

7. The programs tested as major programs included:

Low Rent Public Housing program	CFDA No. 14.850a
Housing Choice Voucher program	CFDA No. 14.871
Capital Fund program	CFDA No. 14.872

8. The threshold for distinguishing Types A and B programs was \$300,000.

9. The Dowagiac Housing Commission was determined to be a low-risk auditee.

DOWAGIAC HOUSING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
September 30, 2007  
=====

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS

Housing Choice Voucher Program - CFDA No. 14.871

**Finding Item 07-1:** Year Ended September 30, 2007

*Condition and Criteria:* Required and recommended documentation is missing, incorrect, or incomplete in the tenant files.

*Effect:* It is difficult to determine if the tenants are eligible for the program or if all aspects of the program are being run correctly without proper and complete documentation.

*Cause:* The staff in charge of this program did not obtain 100% of the correctly completed documentation.

*Population and Items Tested:* We started with the 11th tenant file and every 15th one after that until a total of 7 tenant files were selected to be tested from an Ad-Hoc Tenant Report provided by the Dowagiac Housing Commission. We selected 7 tenant files to test from a population of 105 tenant files to select from.

We found the following errors in the documentation in the tenant files:

	<u># of Errors</u>
1. Form HUD-50058 not in the tenant file	0
2. Privacy Act Notice for fiscal year not in tenant file or incorrect	3
* 000085 Missing	
* 000113 Missing	
* 000027 Missing	
3. Incorrect Verification of Income	3
* 000113 Missing	
* 000027 No documented attempt to obtain third party verification	
* 000036 No documented attempt to obtain third party verification	
4. Incorrect Verification of Expenses	2
* 000027 Childcare expense wasn't verified	
* 000036 58 year old given deduction	
5. Incorrect Verification of Assets	4
* 000085 Missing checking	
* 000113 Missing	
* 000021 Missing	
* 000095 Missing	
6. Inspection Report missing for fiscal year or was incorrect	0



DOWAGIAC HOUSING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
September 30, 2007  
=====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Housing Choice Voucher Program - CFDA No. 14.871

**Finding Item 07-1 (Continued):** Year Ended September 30, 2007

*Population and Items Tested (continued):*

	<u># of Errors</u>
7. Lease missing or incorrect	4
* 000085 Not signed by Landlord	
* 000021 Missing	
* 000036 Missing	
* 000095 Missing	
8. Application missing or incorrect	0
9. Copy of Photo I.D. missing	0
10. Copy of Proof of Social Security Number	
Verification missing	1
* 000036 Missing 1 of 2	
11. Annual Review not done for fiscal year or not	
documented	2
* 000036 Late	
* 000095 Late	
12. Worksheet for HUD-50058 missing or incorrect	0
13. Notice of Rent Adjustment missing or incorrect	0
14. Criminal Background Check not done, not	
documented, or it was in the file	1
* 000095 Missing	
15. Declaration of 214 Status missing or incorrect	4
* 000113 Missing	
* 000021 Missing children's	
* 000027 Box not checked on Denell's	
* 000036 Missing 1 of 2	
16. Lead Based Paint disclosure missing or incorrect	2
* 000021 Missing	
* 000095 Missing	
17. Check for Previous Eviction from Public Housing	
not done or incorrect	0
18. Request for Tenancy Approval not done or incorrect	3
* 000085 Missing Tenant's Signature	
* 000027 Missing Tenant's Signature	
* 000095 Missing	
19. Voucher not in file or its was incorrect	0
20. HAP Contract missing or incorrect	0
21. HAP Tenancy Addendum missing	5
* 000085 Missing	
* 000021 Missing	
* 000061 Missing	
* 000027 Missing	
* 000036 Missing	

DOWAGIAC HOUSING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
September 30, 2007  
=====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Housing Choice Voucher Program - CFDA No. 14.871

Finding Item 07-1 (Continued): Year Ended September 30, 2007

Population and Items Tested (continued):

	<u># of Errors</u>
22. Rent Reasonableness Test missing or incorrect	0
23. Inspection-Life Threatening Corrections made >24 hours	0
24. Inspection-Nonlife Threatening Corrections made >30 days or past extension	0
25. Proper action not taken if (23) or (24) was violated	0
26. Annual Family Composition Review missing or incorrect	0
27. Copy of Birth Certificate Missing	1
* 000036 Missing 1 of 2	<hr/>
Total	<u>35</u>

Out of a possible 189, there were 35 exceptions from this test.  
This represents an exception rate of 18.52%.

Auditor's Recommendation: It is recommended that the Housing Commission continue the process of correcting the tenant files where possible.

DOWAGIAC HOUSING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
September 30, 2007  
=====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Housing Choice Voucher Program - CFDA No. 14.871

**Finding Item 07-2:** Year Ended September 30, 2007

*Criteria:* 24 CFR 982.507 Rent to owner: Reasonable rent

*Condition:* During testing of the tenant files and through an interview, it was discovered that there was not proper administration of the rent reasonableness testing process.

*Effect:* Tenants may have been charged rents that were too high.

*Cause:* The staff member in charge of this program performed a test of the reasonableness of the rent in some cases where required, but the process was not complete. First, all factors required by HUD and the Housing Commission's Administrative Plan should have been used in the rent reasonableness testing. Second, all of the required factors should have been used in comparing the tenant's property to the unassisted properties. Finally, the data for the rent reasonableness testing should have been updated in accordance to the Housing Commission's Administrative Plan. In addition to the process deficiencies, 2 of the 5 initial leases tested were missing the rent reasonableness test. Also, 2 of the 4 rent increases tested were missing the rent reasonableness test.

*Auditor's Recommendation:* It is recommended that the staff correct the above deficiencies in the process and perform a rent reasonableness test when there is an increase in rent, for the initial leasing, if there is a five percent decrease in the published Fair Market Rent in effect 60 days before the contract anniversary as compared with the Fair Market Rent in effect 1 year before the contract anniversary, and as otherwise directed by HUD as required by 24 CFR 982.507.

DOWAGIAC HOUSING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
September 30, 2007  
=====

**SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)**

Housing Choice Voucher Program - CFDA No. 14.871

**Finding Item 07-3: Year Ended September 30, 2007**

*Criteria:* 24 CFR 982.308 Lease and tenancy; 24 CFR 982.516 Family income and composition: Regular and interim examinations; 24 CFR 5.508 Submission of evidence of citizenship or eligible immigration status; 24 CFR 5.212 Compliance with the Privacy Act and other requirements; 24 CFR 982.302 Issuance of voucher; Requested PHA approval of assisted tenancy.

*Condition:* During testing of the tenant files, it was discovered that documentation was missing or incorrect in the tenant files.

*Effect:* Tenants may not be aware of their rights. Tenants may not be paying the correct rent. An enforceable lease is not in effect. Ineligible tenants may be living in the units.

*Cause:* The staff member in charge of this program did not obtain 100% of the documentation, or they did not make sure that it was correct and complete.

*Population and Items Tested:* Out of the seven files tested, none of the seven had all of the documentation. This represents an exception rate of 100%.

*Auditor's Recommendation:* It is recommended that the Housing Commission obtain all of the appropriate documentation for the tenant files where possible. Properly completed 214 declaration forms should be obtained for all household members. There should be properly executed requests for tenancy approval in the tenant files. There should be a properly completed and executed current lease with a tenancy addendum attached for all households. Proper income, expense, and asset verifications should be obtained in accordance with 24 CFR 982.516. Finally, properly completed 9886 Privacy Act forms should be obtained for all of the adult household members annually.

*Auditor's Note:* It should be noted that the Housing Commission staff person in charge of the voucher program is new to this profession and has just recently completed training in rent calculations. It should also be noted that the percentage of errors has improved since last year.

DOWAGIAC HOUSING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
September 30, 2007  
=====

**SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)**

Low Rent Public Housing Program - CFDA No. 14.850a

**Finding Item 07-4:** Year Ended September 30, 2007

*Condition and Criteria:* Required and recommended documentation is missing, incorrect, or incomplete in the tenant files.

*Effect:* It is difficult to determine if the tenants are eligible for the program or if the program is being run correctly in all cases without proper and complete documentation.

*Cause:* The staff in charge of this program did not obtain 100% of the correctly completed documentation.

*Population and Items Tested:* We selected five public housing files to test from an Ad-hoc Tenant Report supplied by the Housing Commission. We started with the 2nd tenant on the list and selected every 13th tenant after that until a total of five were selected from a population of 79 tenant files.

We found the following errors in the documentation in the tenant files:

	<u># of Errors</u>
1. Form HUD-50058 not in the tenant file	0
2. Privacy Act Notice for fiscal year not in tenant file or incorrect	0
3. Incorrect Verification of Income	0
4. Incorrect Verification of Expenses	2
* P-002-0601-11 Medicine not verified	
* P-002-0602-09 Expenses not verified	
5. Incorrect Verification of Assets	3
* P-002-0601-11 Checking not on worksheet	
* P-002-0602-09 Checking not on worksheet	
* P-001-0013-11 Personal declaration asset section not completed	
6. Inspection Report for fiscal year is missing or incorrect	0
7. Lease missing or incorrect	0
8. Application missing or incorrect	0
9. Copy of Photo I.D. missing	0
10. Copy of Proof of Social Security Number Verification missing	0
11. Worksheet for HUD-50058 missing or incorrect	0
12. Flat Rent/Income Based Rent Choice missing or incorrect	0
13. Notice of Rent Adjustment missing or incorrect	1
* P-002-0405-07 Missing	

DOWAGIAC HOUSING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
September 30, 2007  
=====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Low Rent Public Housing Program - CFDA No. 14.850a

**Finding Item 07-4 (Continued):** Year Ended September 30, 2007

*Population and Items Tested (Continued):*

	<u># of Errors</u>
14. Criminal Background Check not done, not documented, or it was in the file	1
* P-001-0010-09 Missing 1 of 2	
15. Declaration of 214 Status missing or incorrect	1
* P-001-0010-09 3 of 5 boxes not checked for certification	
16. Check for Previous Eviction from Public Housing not done or incorrect	0
17. Annual Family Composition Review missing or incorrect	0
18. Annual Review missing or incorrect	<u>0</u>
Total	<u><u>8</u></u>

Out of a possible 90, there were 8 exceptions from this test. This represents an exception rate of 8.88%.

*Auditor's Recommendation:* It is recommended that the Housing Commission continue the process of correcting the tenant files where possible.

DOWAGIAC HOUSING COMMISSION

CORRECTIVE ACTION PLAN

September 30, 2007

=====

**Finding 07-1**

*Auditee's Response:* Per our conversation, the majority of the questionable documents were placed in the tenant's file before your company completed the physical audit.

The Dowagiac Housing Commission did not obtain required/recommended information in the files for the Housing Choice Voucher program. Goal #1: To obtain required/recommended information in all tenant files. All tenant files are now being reviewed. Flossi Pease has the lead responsibility. The start/review date is May 2008 and the finish date is July 2008 for the review. The task is to obtain all information that is needed for the file and to insure that the information that is in the file is filled out completely and correctly. The start date is for the task is May 2008 and the finish date is on-going.

**Finding 07-2**

*Auditee's Response:* Per our conversation documentation was shown that the Dowagiac Housing Commission was requesting updated information from landlord's for the Rent Reasonableness data. The updated information that was received was being entered into the database at the time of the audit.

The Dowagiac Housing Commission did perform a rent reasonableness, but was not completed in the Housing Choice Voucher program. Goal #1: To complete all information needed to do accurate rent reasonableness. Information has been updated in the system. Flossi Pease has the lead responsibility. Resources will be the Management Resource Group and Nelrod. The start/review date will be May 2008 and will be reviewed every 30 days. The finish date will be on-going. The task will be to update information on file for rent reasonableness and to use all factors required by HUD and the Dowagiac Housing Commission.

DOWAGIAC HOUSING COMMISSION

**CORRECTIVE ACTION PLAN**

September 30, 2007

=====

**Finding 07-3**

*Auditee's Response:* All tenants are given a copy of the Tenancy Addendum when their lease is submitted for approval by the Dowagiac Housing Commission staff. We will place a Tenancy Addendum in each file.

The Dowagiac Housing Commission did not have completed leases, lease addendums or completed request for tenancy in the files in the Housing Choice Voucher program. Goal #1: To obtain completed leases, lease addendums and completed request for tenancy in all tenant files. Flossi Pease has the lead responsibility. The start/review date is May 2008 and the finish date is on-going. The tasks are Goal #1: to insure that all leases are completed and signed by both parties and that there is a lease addendum in the files and Goal #2: to insure that the request for tenancy is completed and signed.

**Finding 07-4**

*Auditee's Response:* Verification of assets cited was recomputed and did not result in a tenant being charged more or less for rent once it was recalculated.

The Dowagiac Housing Commission did not obtain required/recommended information in the files in the Low Rent Public Housing program. Goal #1: To fully obtain required/recommended information in all tenant files. Velma Davidson has the lead responsibility. The start/review date is May 2008 and the finish date is on-going. The tasks are to obtain all information that is needed for the file and to insure that the information that is in the file is filled out completely and correctly.



DOWAGIAC HOUSING COMMISSION  
**ADJUSTING JOURNAL ENTRIES**  
 September 30, 2007  
 =====

Financial  
 Assessment  
 Electronic  
 Submission

<u>Line #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
<u>Low Rent Public Housing Program</u>			
	(1)		
124	A/R-City	\$ 51,354.70	
931	Water		\$ 51,354.70
	(2)		
963	PILOT	4,760.53	
	A/P-PILOT		4,760.53
	(3)		
114	Cash-tenant security		
	deposits	5,781.00	
111	Cash-unrestricted		5,781.00